

LOUISIANA SPECIAL EDUCATION CENTER
BOARD OF ELEMENTARY AND SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED APRIL 6, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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March 23, 2005

**LOUISIANA SPECIAL EDUCATION CENTER
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Alexandria, Louisiana**

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Louisiana Special Education Center. Our procedures included (1) a review of the center's internal controls; (2) tests of financial transactions for the period from July 1, 2003, through March 23, 2005; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the period from July 1, 2003, through March 23, 2005; and (4) a review of compliance with prior audit recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected center personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Report of the Louisiana Special Education Center was not audited or reviewed by us, and, accordingly, we do not express an opinion on this report. The center's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior report on the Louisiana Special Education Center, dated December 13, 2003, we reported a finding relating to control weaknesses relating to payroll and personnel transactions. Management has substantially resolved this finding.

Based on the application of the procedures referred to previously, a significant finding is included in this report for management's consideration.

Noncompliance With Purchasing Regulations

The Louisiana Special Education Center purchased \$49,837 of goods and services from three vendors without obtaining the required number of bids or quotes as required by State Purchasing Regulations. Executive Order MJF 02-56 - Small Purchase Procedures,

Section 4.B., states, in part, that “Price quotations shall be solicited by telephone, facsimile, or other means from three (3) or more bona fide, qualified bidders . . . for purchases exceeding five hundred dollars (\$500) but not exceeding five thousand (\$5,000).” In addition, Section 6 states “In the absence of a good faith business basis, no purchase or procurement shall be artificially divided within a cost center, or its equivalent, to avoid the competitive bidding process or the solicitation of competitive bids.” Furthermore, Louisiana Revised Statute 39:1594 states that contracts exceeding \$20,000 shall be awarded by competitive sealed bidding.

A review of purchases from three vendors for which competitive bids were not obtained disclosed the following:

- Eighteen purchases totaling \$8,443 were made from one vendor within a two-month period. Among the items or services purchased were landscaping services and plants for the superintendent’s residence and center totaling \$2,475. Furthermore, pillows, pillow shams, a bedspread, candlesticks, drapes, lamps, tables, and bar stools were purchased for the remodeling of the superintendent’s residence totaling \$5,968. One purchase was for \$335 and the remaining 17 were from \$405 to exactly \$500.
- Five air purifiers costing \$3,460 were purchased from a vendor in March 2003, and three additional air purifiers costing \$1,767 were acquired from the same vendor in March 2004. Six of the eight air purifiers totaling \$4,047 were purchased for the superintendent’s residence and the remaining two totaling \$1,180 were purchased for the center. Furthermore, a 24-piece set of cookware costing \$1,800 was purchased from the vendor in March 2003 for the superintendent’s residence.
- In March 2004, playground equipment costing \$34,367 was purchased from a vendor without obtaining competitive bids.

Some of the purchases noted above were purchased as sole source items; however, management was unable to provide documentation that equivalent items were not available.

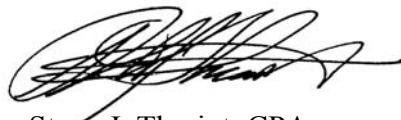
Management did not fully understand all aspects of the state purchasing regulations when it made the purchases. It felt some purchases were time sensitive and needed to be made as quickly as possible. As a result, state bid laws and regulations were violated and the center may not have obtained the lowest possible bids for the items purchased.

Management personnel for the Louisiana Special Education Center should become familiar with all requirements of the state bid laws and regulations. It should also establish the controls necessary to ensure purchases are not split and proper documentation is obtained to support sole source purchases. Management concurred with the finding and recommendations and outlined a plan of corrective action.

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the center. The varying nature of the recommendations, their implementation costs, and potential impact on the operations of the center should be considered in reaching decisions on courses of action. The matter relating to the center's compliance with state purchasing regulations should be addressed immediately by management.

This report is intended solely for the information and use of the center and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", with a stylized flourish at the end.

Steve J. Theriot, CPA
Legislative Auditor

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Management's Corrective Action
Plan and Response to the
Finding and Recommendations



LOUISIANA SPECIAL EDUCATION CENTER

Walter B. Gatlin
Superintendent

March 15, 2005

Telephone
318-487-5484

Mr. Steve J. Theriot
State of Louisiana
Office of Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot,

RE: Response to Noncompliance with Purchasing Regulations

We concur with your finding that all goods and services were not procured in accordance with State Purchasing Regulations, in particular Executive Order MJF 02-56 (Small Purchase Procedures). Although each of the examples cited in your report failed to go through an adequate competitive bidding process, there were circumstances surrounding each that caused us to handle them as was done. Each will be addressed as follows:

- The purchases that were made from a single vendor for the Superintendent's residence and the Transitional Family Life Center (TFLC) for landscaping services and various interior decorations served a dual purpose. Although not considered emergencies, both the residence and the TFLC were involved in programs that required a more timely procurement. The residence is being considered for recognition as a national landmark and was in need of cosmetic improvements before the surveyors arrived. The new TFLC experienced numerous construction delays which necessitated compressing timelines such as landscaping in order to host a dedication ceremony on schedule.
- The air purifiers, the cookware set, and the playground equipment were purchased from vendors who provided sole source letters which we believed met the terms of the state's sole source procurement. The items were promoted as exceptional quality that is not found in other similar products. However, after conferring with your auditors and reviewing the state procurement handbook, we now understand that additional efforts and documentation must be obtained to ensure that all monies expended are done in the most cost effective manner.

As indicated to your audit staff during their fieldwork, it had already been recognized that certain changes were needed in the administration department to make it more efficient. Consequently, the following corrective actions have been or will be made during the current fiscal year:

1. The business manager, the assistant superintendent, and the finance director must approve all requisitions prior to an order being made. The business manager and assistant superintendent assess the need for the purchase while

March 15, 2005

the finance director is responsible for determining if quotes or bids should be obtained. The finance director does not issue a purchase order number until the requisition has met all purchasing regulations. This procedure is currently in place.

2. Effective March 1, 2005, two Center employees have switched job responsibilities in an effort to provide the fiscal department another degreed accountant needed to accomplish all of its requirements. In addition, all employees in the administration department will be given access and encouraged to attend any training necessary to enhance their job performance and professional growth.
3. The policy and procedure manual is currently being updated so that all activities and areas of responsibility will be presented in a clear and concise manner. It is anticipated that the manual update for the administration department will be completed by the end of the fiscal year.
4. Due to the Center's relatively small size, we do not have a designated purchasing agent knowledgeable on all procurement laws and regulations. As such, in addition to training mentioned above, we plan to utilize state purchasing contracts and catalog contracts more extensively in the future.

In conclusion, I believe by taking a proactive approach to the weakness identified during your audit, this deficiency will be corrected and should not occur again. The agency has employed as of September 20, 2004 a business manager with audit experience to manage the financial and personnel activities of the Center.

If you should require any additional information, please contact Mr. Daniel Debevec at telephone number (318) 487-5388, fax number (318) 487-5372, or e-mail at dandebevec@bellsouth.net.

Sincerely,



Walter B. Gatlin
Superintendent

Cc: Daniel Debevec
Michael Joiner